

UNITED STATES SMALL BUSINESS ADMINISTRATION

New Mexico Hearing

October 1, 2004



PROCEEDINGS

[START TAPE 5 SIDE A]

MR. ARCHULETTA: FDI [phonetic] operates 112 factories built by tax payers [background noise] tax payers pay [background noise] dollars. Pay 24 by 24 [phonetic] [background noise] Consider that I have to pay not only their wages but corporate taxes, employers taxes, and income taxes, all of which Unicor is exempt from paying. How can Unicor justify charging such an outrageous amount for the same product? How can the federal government [background noise] tax payers operate in such a manner? [Background noise] members of Congress and the federal Department of Justice. You are afraid to lose a piece of the pie. Unicor is a family-owned corporation and [background noise] federal law in several different ways. It is [background noise] on paying minimum wage to its employees, [background noise] it is also exempt from paying state and federal income taxes as well as [background noise]. Also, it employs approximately 5,000 undocumented [unintelligible], which the private sector industry employer would be paying with \$10,000 for violation and fines. While the American taxpayer continues to lose jobs [phonetic] [background noise] ways of providing private sector [background noise]. Unicor is also legally permitted to sell services to the private sector. This includes data [background noise] distribution, packaging, call center, telemarketing. New Mexico has long been known for its political [background noise]. Unicor has a mandatory [background noise] all federal government offices [background noise]. If even 5% of the furniture was manufactured by this industry in New Mexico, New Mexico would benefit from over \$11 million in direct revenues annually. [Unintelligible] they charge \$18.29 [phonetic] to require Unicor to compete for these contracts, minimizing the unfair competition with the private sector firms. It would empower federal agencies to get the best value for tax players' dollars while providing alternative [unintelligible] of work opportunities in the court of non-profit organizations and for other purposes. This bill was sponsored by Representative Peter Hulstrunck [phonetic] and co-sponsored by 122 other co-members including Representative Kevin Wilson. That bill was passed by the House on November 6, 2003, and then went to the Senate where it was [unintelligible] and referred to a committee on the judiciary on November 7 2003. Since that day it has lounged in committee. Sherman [unintelligible] South Carolina, Patrick Leahy, Vermont, Edward Kennedy, Massachusetts, and Senator John Edwards, North Carolina are among the senators who are very good on committee [phonetic] but when real jobs would explode in the private sector from the passage of such reform. Yes, this is the same John Edwards who is running for vice president, and is promising to create jobs if he and John Kerry are elected. Yet, he is one of those

responsible for holding back this decision for almost a year. I urge you to write to your senators and tell them that it is imperative that HR1829 be passed so that Unicor will no longer hold a gun to tax payers, and you will not have slavery to look forward to. This is my five-minute speech. I have a longer version as well as documents and exhibits from back [unintelligible] of the facts I haven't stated in this speech. If you would like further details, please let me know, and I'm going to get my documents there and pass them to all of you in the committee and I hope you all can help me.

MALE VOICE: I do want to mention a couple of people that have showed up here. We have some representatives from Senator Domenici's office, from Congressman Udall's office, and, guys will you stand up, and from Congressman Heather Wilson's office. Anyone want to come up and say a couple of words?

FEMALE VOICE: This [unintelligible] has presented this problem in a letter to the senator, and the senator [unintelligible], and, I don't know, have you heard back from him?

MALE VOICE: Not yet.

FEMALE VOICE: Not yet. I will get on to that.

MALE VOICE: I also want to thank Betty Chow [phonetic] from the Albuquerque Chamber of Commerce and we do appreciate everything you've done for us.

Okay. The next one we have here today is Caren Cowan. Calling... Ms. Cowan, are you here? She's with the New Mexico Cattle Growers Association. We actually saw her yesterday, so maybe she's going to submit some written testimony to us. Hopefully I have Dr. Robert Dinwiddie.

[Pause]

DR. DINWIDDIE: Thank you for allowing me to give some testimony. My problems at Pecos Environmental Consulting have not been so much with the enforcement, but with the compliance.

FEMALE VOICE: Excuse me, I'm sorry. We can barely hear you up here. I don't know if the mic is on or not.

[Crosstalk]

MALE VOICE: Speak into to the mic. Is it on?

MALE VOICE: Just kind of lean over a bit.

DR. DINWIDDIE: Is this better?

MALE AND FEMALE VOICES: Yeah.

DR. DINWIDDIE: It's been a number of years since I lectured in a large biology lecture hall. Pecos Environmental Consulting started in 2002 to provide [unintelligible] and education to government

agencies that were trying to comply with federal environmental regulations. The crux of our problem has been obtaining what is usually referred to as a GSA contracted number. There is no such thing, after months of research. Finally, the GSA here in Albuquerque [unintelligible] found out there was no such thing, and I started down the right pathways to obtain a contract number under 899, which is our specialist area.

We turned in our RFP [unintelligible] and were immediately told that this can't happen because [unintelligible] Registry lists our address and undeclared or undecided, because where we were at, at that time, we had no address. We had a 911 address now, but because in the GSA budget [unintelligible] when they were turning back [unintelligible] services, about six years ago they ended our rural delivery to my residence, and then four years ago they closed our post office. So we now go eight miles to a post office box, so we no longer have rural delivery to the house, so that makes me ineligible for a GSA contract number.

At the same time, they challenged our ability, our spreadsheet for our cost of government because we know what our overhead costs are. We were quoting prices on a global hour that are very fair and equitable and are cheaper than what most contractors charge the government now, and they said leave a response or the remedy there is to sub-contract to a large contractor with the government, and let them manage your contract. So I approached two large contractors, and one of them said, "We'll take 20% of your contract fee just to manage your contract", and the other one said, "We'll take 40% of your contract fee", and that is not acceptable to our company because we don't believe in price gathering [phonetic] the government.

The other problems that we've had are just with the IRS. We turn in our monthly withholdings to the bank. We turn in our quarterly 941s. And regular as clockwork, 30 days after that, we will get a letter from IRS that we failed to file our 941. So we then fax it to their fax number that they want it faxed to, and we'll get another letter back, 'you have failed to file your 941 as required.'

It's real interesting that when we filed our taxes this year, they failed on all of our 941s. But for a year, they've been in a black hole. The one that I paid just last one, I already have my letter from the IRS that I have failed to turn in my paperwork with that. I pay my withholdings directly to the bank, so it comes straight out.

This is not something that is only Pecos Environmental Consulting's problem. I have been forced to contract private businesses because I cannot get my GSA contract number to do what I would really love to do and that's save the department some money complying with regulations. I know there are small businesses, one is woman-owned, two are veteran-owned, and two of the others are

disabled-owned or better-known [phonetic] businesses such as Pecos Environmental that have had the same problems getting GSA contract numbers and we are so small we cannot afford attorneys to run that fight and get that number for us.

For example, for the first year that Pecos Environmental tried to get a GSA contract number, we spent in excess of \$5,000 out of our pocket, and part of that was to make sure that we had the necessary credit card processing ability for the government impact cards [phonetic], and since then we have had to turn off that ability because we can no longer get that.

The private industry I'm contracting with now has a patented technology that would put the United States in compliance Non-Stockpiling Chemical Munitions Treaty within three years without creating new hazards to the environment, and that was all set and ready to go until the large contractor in charge of the facility said, "Well, if you turn over your bank rights, we'll be glad to work with you." And my company is not interested in doing that.

Another one that is [unintelligible] working with a job site, makes jet aircraft engine fan blades and they've had the Department of Defense visit them four times and tell them the exact office to go to in Washington to get their contract numbers so that they can then have large contracts and their business can really expand. They've been there twice, and they have been laughed out of the office twice because they are not one of the big names [unintelligible] in jet aircraft engine [unintelligible].

MALE VOICE: A couple of things we can talk about, first of all it's difficult for small business, obviously, to do business with the government. There's no doubt about that. That's why we have to create new avenues for small business to do business. The administrator's office says small business wants the same thing big business wants, more business. Now I know that here in Albuquerque, a contract is very important. One of our new initiatives, Albuquerque is going to be one of the pilot programs that we are going to announce today. There is a program that we are doing here in the SBA called business match-making, and what business match-making is we will actually make matches between small businesses and federal state and private industry buyers. What we'll do is we'll match what you're selling with what they want. So we don't really call these procurements. [Unintelligible]. These are actually matches that are going to be made. What we're going to do here in Albuquerque, and it's going to be announced later on today, and we'll give more details out, we won't give it out yet, that we're going to actually have a training program because a lot of small businesses want to do business with government and they're just not ready, and they need to know what they're going to get into. It can be very, very profitable but they need to know what they're getting into. What this training will be

[unintelligible] training module that you'll be able to do online. Once you complete the training module, you'll be in the system, and then within a couple of months after you do the training module we'll start making matches online. You'll be given the names of buyers that are seeking your services or products. There will be more details coming out about that, but that's one way we are trying to create more opportunities for people trying to do business, because when you're working with the government, you got to be ready to do it, and we want to be sure that we set the expectations of what they're going to get into.

As far as I know, you've mentioned some IRS issues, and I've got the representative from the IRS here. You want to say a couple of things about that?

MR. KNOTT: I need to talk to him specifically to find out exactly what's happened.

MALE VOICE: Okay, introduce yourself and like...

MR. KNOTT: I'm Gary Knott; I'm from the IRS Tax Payer Advocate's office. The Tax Payer Advocate's office is here to help people who have problems dealing with the IRS's normal processes and we deal with small businesses as well as individuals, and we'll talk to you about your issues.

MS. FOSTER: My name is Miriam Foster [phonetic], I'm actually here on behalf of Congresswoman Heather Wilson, but I know this is an SBA event, but I did want to say that I worked very closely with the Tax Payer Advocate's office and I can't say enough good things about them. [Unintelligible] and I really suggest you contact them.

MALE VOICE: And I'll come in and follow-up with that. In fact, when I first got into this, and I told this story many times, I don't know if you've heard this, but Gary Knott's done a great job, and we were up at his office out of Washington DC. They come to every single one of our hearings, and you know, people often ask when we talk about saving small businesses \$1 billion in small fines and penalties, most of that is with the IRS. They have totally changed their culture over there. I mean there are still things [unintelligible]. Is government perfect? Of course not. Anything run by humans will never be perfect, but they have done a great job in doing outreach, and in fact in some of these hearings they've had six or seven people come to the hearings and actually scare some people. These are actually the Tax Payer Advocates. It's almost like the ombudsman with the IRS. Be sure to take advantage of them. They have some local folks here. Be sure to use them they can be very useful to you.

[Crosstalk]

MALE VOICE: Next we have William Johnson. Mr. Johnson, are you here? Okay, then we have Annette Morales.

MS. MORALES: Good morning. Can you all hear me back there? My name is Annette Morales, and I am with the DSE BRA [phonetic] research and analysis technical assistance firm out of Las Cruces, New Mexico. We provide support and assistance to local government mainly in many very rural areas of the border, and I am here not to complain but to raise an issue as far as access to federal government procurement offices. I appreciate the opportunity to comment and to utilize this meeting to advocate for several items that can help my business success as well as thousands of other small women-owned businesses along the border. I'd like to thank first of all [Unintelligible] and SBA New Mexico office staff, they have been wonderful in helping me acquire my 8(a) status for the company. We received our 8(a) status last year after being in operation for a couple of years. The acquisition was a long and arduous effort, and if weren't for the help and support of the folks here at the SBA as well as Anna [phonetic] and Governor Richardson, I would never have received my designation. Prior to my starting Medius, I worked in corporate America. I too worked for [unintelligible] a long time ago, in conducting work that brought a significant amount of money to their coffers. I decided that I had [Spanish audio] and for those of you who are Spanish deficient, I had the will, ambition, ethic, and experience to go at it alone. So in 2002 I incorporated the Medius, Inc. and applied for my 8(a) status.

Because I didn't work my entire professional career in corporate America, I find the bureaucracy somewhat daunting. At first I was hesitant because I had viewed the 8(a) program as somewhat of a small business welfare program. I now realize that although I was very confident and capable, I lacked access and knowledge to the federal procurement bureaucracy and process.

Unfortunately, I had had experience prior with the US Department of Housing and Urban Development, and [Unintelligible] and David Chase [phonetic] believed in me enough to allow us to compete for high contracts which we acquired. Because of our previous success on contracts under another hat [phonetic] we got the contract.

We have had significant success. Although we don't have access to DC [phonetic], so a lot of the procurement officers in DC we don't see other than the ones that we have. And what I'm here to advocate today for is to have those procurement officers, or for the SBA to advocate for those officers to reach out to contractors, not just along the beltway but out here in our part of the world. I know a lot of folks in the room are fortunate enough to have contracts with [unintelligible] here in New Mexico, and they have direct access to those procurement officers, I don't mind procurement officers are in DC [phonetic].

I also would like a lot of those procurement officers and the head offices of the federal agencies to hold the contractors accountable for

their work. I know a lot of federal contractors, both non-profit and profit that don't provide results.

This year alone Medius, Inc. helped garner over \$36 million in infrastructure investment to our rural communities along the US/Mexico border. That's a lot of money for one year. We would like to also advocate that you hold those contractors to share their experience with their client. I can put my company's results against any national contractor, and we do that. We are working in west Texas and Arizona as well. We recently are looking to acquire additional 8(a) contracts in 2005 and we had one of the procurement officers access it [unintelligible] they were asking too much for us to go to Arizona. We can do what we do in Arizona. We've done it in Warsaw, Virginia, we've done it in south Texas, we've done along the US/Mexico border. It's just having to roll up our sleeves and work very hard.

I'm here today to advocate for additional support again to allow greater access and opportunity for small order businesses that are geographically challenged in the access to the acquisition of contracts. I am also here to ask the SBA and our federal legislatures to pass the Women's Procurement Program as well as restore important [unintelligible] in procurement provisions to S 2821. These provisions are imperative in that they will provide a level playing field and opportunities to small businesses like Medius, Inc. It will provide the ability to go and effectively compete and create economic employment opportunities to our systems along the border.

The provisions encourage federal agencies to procure services from capable and competent businesses and we're out there. All we ask is the chance to show our stuff, to be able to compete, and I'm hopeful that I don't come back and have some not so good experiences with the federal agencies, because we have had some very good experiences with them. Thank you very much.

MALE VOICE: First of all thank you for your testimony and we have lots of good news to give you. First of all, with a program like the 8(a) program, procurement in 8(a) has gone up 65% in the last year, it's gone from \$6 billion to \$10 billion. Procurement to women has increased hundreds of millions of dollars over that time. The thing is, there really does need to be a top-down commitment, and I want to show you there is. The president and small business [unintelligible] one of the issues was the unbundling of contracts, and he has communicated this to all of his agencies. It's one of the reasons that you're seeing so much more outreach. We agree that small businesses that are out of the city, maybe by the border, they need and they deserve to have as much access as anybody else does especially for international trade and also for federal procurement.

One of the things that we're going to announce today so we're bringing a program to New Mexico called business match-making.

We're going to be doing a luncheon at the Hilton right after this. Just to give you an idea of what's happening in that program; over the last two years we have set up 22,000 one-on-one appointments between small businesses and the buyer of every federal agency and many Fortune 500 companies. At those events, small businesses have gotten over \$22 million of contracts. Now, you don't go to an event and get a contract on the spot, but a lot of them have, and a lot of them will get millions of more dollars of contracts over the years.

I like to say that small businesses have the know-how but you don't have the know-who. You don't know who you need to go to. So what we're doing with business match-making is taking the know-who out of the beltway and bringing it to Main Street. That's the whole concept of business matching. We'll be giving some more information at this lunch, but the bottom line is starting in January we're going to be conducting training for any small business in this geographic area that wants it to be part of a business match-making network where those businesses will be able to hook up with the buyers and the federal agencies and you don't have to wait for those buyers to come here. You don't have to get in a car or plane and go to an event, once you are in that network, we will put up those appointments for you by phone or over the Internet.

So we're doing much much more outreach than ever before. We agree with you. The president says it all the time. Small business is the engine that fuels the economy so we must make sure that they have every opportunity to access it, and we're not going to base it on, again, a hope or an ideal, we're going to base it on result and right now we're getting better results from small businesses as far as federal procurement than ever before, but it's still not enough.

The last thing I want to mention to you on the 8(a) program, I'm very familiar with the 8(a) program, I'm a champion of the 8(a) program, but the 8(a) program which is a minority set-aside program was broken. You basically had 6,000 firms, 3,000 of them had gotten contracts, and the majority of the firms that got contracts lived in DC. That's not a program that works, so what we've done now is we've increased the number of 8(a) firms by 50%, still not enough, and from now, on you went through a long process, small businesses starting now don't have to go through a long process. You can literally go online right now and register for the 8(a) program in a couple of hours. It's not something that will take you a month or a year, or you're going to have to hire a consultant with, you're going to get all the help that you need here locally, but you're also going to be able to go online, and once you go online, you're going to get training, and once you get training, you're going to get access to contracts.

So that's the difference in the environment that we're trying to create, so I'm very hopeful that you'll take advantage of some of those things, and I wish you a lot of success.

MS. MORALES: Thank you.

MALE VOICE: For everybody for this match-making, [unintelligible] director of it, www.businessmatchmaking.com. The way it's going to work is that actually we kick off the training in January, and Albuquerque will be one of the five pilot cities that we're going to do this in. Also, we do business match-making face-to-face business match-makers across the country. We'll be announcing that schedule within the next 30 to 40 days, so be looking at businessmatchmaking.com. Okay, we have Francisco Simod [phonetic]? Francisco? Okay, we have a walk-up today. We have the New Mexico Community Development and Loan Fund. George Kenefic, I got that right? Actually New Mexico can say my name, they try to do that in West Virginia or some place...

[Laughter]

MR. KENEFIC: First of all I want to thank the honorable panel for the opportunity to address you on these issues. Like, my predecessor at this podium I'm not here to complain about anything but to talk a little bit about the effects of some of the policies that I as a technical assistance provider am faced with.

I'm here in a dual capacity today because my day job is as the technical assistance provider for the New Mexico Community Development and Loan Fund, but my night job is the business my wife and I run, and have run for 15 years, so I have a unique perspective on the trials and tribulations of businesses.

I'd like to begin by clarifying one thing. When I saw small businesses, what I'm talking about is micro-businesses, people with fewer than five employees, and revenue below about \$1.5 million. This is the market that I work with at the Loan Fund, so I hear a lot of things and they're not, it's not a criticism by any means, but it's just a statement of fact. My personal business has been in existence for over 15 years, and kind of the way things worked out, but [unintelligible] SBA for funding but we did go to the SBGC [phonetic] to get our initial start-up information.

The help we received was, of course, invaluable because we were just complete novices at the time and totally clueless. But we found out that as our business grew, the needs of our business became more complex, and we found that the match with the resources that the SBDC offered us was not quite a good match. As the problems got more complex, we [unintelligible].

So after about five years, we found that the requirements were too specific to be adequately addressed by the technical assistance offered by the SBDCs [unintelligible] who was entitled to be going to claim [unintelligible] so we wondered why the business assistance provider couldn't be more user-friendly. I'm sorry I'm having trouble

aiming at this thing. Couldn't the SBDC offer more flexible business advice? We addressed the narrower request of established loan businesses, and couldn't SBDC councilors actually go to the interested businesses locations working with the entrepreneur's schedule. In hindsight, that would have been a great thing for us.

So we've heard a lot about the burden of taxes on small businesses, and I'm certainly not going to disagree with that. But what I want to add to it is what we business owners perceive as the value that we get from what we pay in [phonetic] taxes. Now, I understand that taxes need to be paid; nobody likes it, but just like everything else in business you want to get something for the money that you pay, and that's where I have a problem anyway.

A prime example of that is the healthcare issue. We have five [phonetic] employees and we're not able to provide them with any kind of meaningful health coverage, and it would be great if some of our taxes could allow you to provide that meaningful health care.

To summarize, I believe that small businesses, the folks that need to be here today can't because the owners need to be minding the store. Likewise, they don't have the time to access business assistance services that we desperately need. I personally don't get a sense of value added when I think of the taxes my business pays. Much is made, by our elected officials and media, of the vital role that small businesses play in communities across the country. In our state, New Mexico, small business is routinely identified as a key economic engine, yet meaningful support is conspicuously absent. Small businesses are left to their own devices time after time. And then there are conflicting messages that come down from our governments.

As a technical assistance provider to small business and non-profits throughout the state, I can assure you that the mixed messages from Washington are not going unnoticed by our clients. If small businesses are vital businesses, at some part why are these meager budgets being cut? By this I mean the Bank Home Loan Project. Reductions to direct programs and value-added technical assistance certainly don't help matters either. As a service provider, I can assure you that the SBA industry and staff adjustments combined with the level of reporting [phonetic] have a direct and negative impact on my organization's administrative capacity and my ability to service my clients. The staff person who I report to and processes my reports is so overloaded that I cannot contact her. Either e-mail, faxes, the phone, she is totally swamped. I've had the pleasure of actually meeting this person and I really feel for her. So this person is so overloaded, so over-expanded that I basically have lost processed information.

So in conclusion, we in the small business community ask you to assist us in realizing our potential and to please back your words of

support with actions that support us. Thank you for your attention.

MALE VOICE: Thank you, George. First of all, let me say that I agree with your testimony. One of the things that the president likes to say is, "It's not our money." It's not the bureaucrats' money; it's not the government's money. It's your money, and you ought to get full value for your money. And that's one of the reasons when I first came on board one of the commitments that we made was that we would run a very efficient and effective organization, and we don't base that on what we think is happening, we base that on what our customers tell us is happening. We base it on our customers achieving success, so we made a lot of changes at the SBA over the last couple of years. But I believe those changes put the SBA in the strongest position it's ever been in. It's not an accident that we're doing more loans to every community. It's not an accident that this year we'll train 2.1 million small businesses. Most of those are micro-businesses. I told [background noise] with regards to health care, that's why we're fighting so hard to provide you access to affordable healthcare. It's the number one problem for small businesses. We've got here a health savings account. If you don't know about it, you should know about it. It's a way for you to reduce your insurance premiums and provide those accounts to your employees. We're also fighting for association health plans. We believe association health plans can reduce your premiums by 25%, and we will dedicate resources. In fact, the Department of Labor will be responsible for making sure that those plans, just like with retirement plans, are effective and compliant.

With regards to micro loans we may have a little difference of opinion. I think smaller loans are important, and when I first came on to the SBA, the average size loan at the SBA was a \$250,000. That was the average size loan. Most small businesses will tell you that they don't need \$1 million. They need \$10,000 or \$20,000 but we weren't doing those kinds of loans. The reason why was that lenders didn't want to do them. Our lenders said, "It's too cumbersome to do business, there would be too much paperwork, it takes too long, we're not going to do small loans, and forget about us reaching into the emerging market. We're not going to do that either. We're not a [unintelligible] profit organization." And we told the banks that "You're right, you're not a [unintelligible] profit organization, but if you're going to be partners with us, you're going to need to do those loans. Now, we'll make changes with the way that we operate, but you will make those loans." And they are. This year we will do something in excess of 24,000 loans under \$35,000. That's the first time in history that's ever happened, and we'll do through our primary flagship program the 7(a) program. At the same time, we will do a tenth of that in terms of our micro loans. The problem for us on those micro loans is that they cost us a dollar for every dollar that we lend out. We're going to lend out, it's going to cost us \$24 million to do that. In a time when

budgets are shrinking, it's very difficult for us to do that, especially when we are doing so much of those loans. By the way, those loans that we're doing in that 7(a) program, the majority of those are going to the emerging markets to women etc., which we're very happy about.

Now here's another thing that I want you to understand. The president of the United States can make a request for funding, but the president of the United States does not approve the request for money. You know, a lot of times you go ask for money and Congress will say, "No you can't have it", so we will try to run our operations without that money. Sometimes we don't ask for money for a program and Congress says, "You're going to get it, you got to run the program anyway." And we do. We comply with the law and we do. I will tell you that we have all the resources that we need to continue doing our job, but we got to do it smarter. We got to use technology better than we are now.

You mentioned training, and one of our big training providers besides the SBC [phonetic] is the Service Corp of Retired Executives. They will train 500,000 businesses this year. There was a lady that I met here in New Mexico the last time I came here, and she said, "You know, Mr. Administrator, my dream was to have a soft drink company. I wanted to manufacture my own my own cola, my own soft drink but there was nobody in New Mexico that could help me, so I thought I wasn't going to be able to achieve my dream." She said, "I was introduced to a SCORE representative in New York city. This guy had worked for PepsiCo, they put us in contact with each other, this guy knew everything about the soft drink industry, I have my soft drink company now and I'm living my dream." That's what technology can do for you, and that relationship they're best friends now and he lives in New York and she lives here. All I'm trying to say is we need to use our tools better to reach more small businesses, but I agree with what you're saying. I want to assure you that we are not misunderstanding the messages of our customers. In fact, anybody that works for me knows that we better continue raising the bar every single year to validate our reason to exist. If we cannot prove that we are helping more small businesses, then none of us at this table should be here. So I will tell you that we are committed to it, we're passionate about it.

The last thing I want to tell you is because of Congress's important responsibility, you all need to be advocating to your congress people and telling them which programs are the ones that are really [unintelligible] the most, because at the end they will have the most to say what their final cooperation is. Last thing I want to say is we've had a real challenge at the SBA in the last four years. Today is the beginning of our fiscal year and we don't have a budget. I don't have a budget right now, and by the way, this is nothing new. For the last four years at the beginning of our fiscal year, we don't have a budget. Why? Because Congress hasn't approved our budget. You know what, they won't approve it next month either. And you know what? They

won't approve it the month after or the month after. I will be lucky to have a budget in January or February. Now, you're a businessman, if I told you I need you to run your business and write checks from your account, but I'm not going to tell you how much you have in your account, you'd say I was crazy. Is it possible to run your operation that way? But we run our operation that way every single year so we need your help to advocate to Congress to finish the work on time and to provide the resources necessary for the programs that are most important to you. Thank you for being here today and thank you for your testimony.

MALE VOICE: Okay, just a follow-up on that, don't forget about the SBA.gov website if you want assistance. We get about 1.5 billion hits a week on that, and we also have negocios.gov which is the SBA in Spanish, so be sure to take advantage of all the things about training, that you can do 24/7 counseling. So go on there for information about how to write business plans or hire employees, and learn about our different loan programs and different contracting programs for that website. People often ask me who are these 1.5 billion going to it, so that's your competition if you haven't gone to it. So be sure to take advantage of it. Okay now we have Caren Cowan.

[Pause]

MS. COWAN: Administrator Barreto [unintelligible]

[Crosstalk]

MS. COWAN: And other distinguished guests, on behalf of New Mexico Cattle Growers let me tell you how much we appreciate you coming to New Mexico and holding this regulatory fairness hearing today. My name is Caren Cowan and I'm the executive director of the New Mexico Cattle Growers Association. Our organization is the organization in the state that represents the beef industry and we are celebrating our 90th year this year. Our members are family operations, many with 60 heads of cattle or less representing the rich ethnic and cultural diversity of New Mexico. We have a lot of single women, ranch owners as well that are trying to survive. Virtually all of our members as well as our association are a small business.

Given that some 60% of New Mexico is made up of federal state or tribal land, we do a lot of business with the federal government and the USCA via the Forest Service and the Bureau of Land Management. I know those of you in New Mexico it's probably no secret that ranchers have had serious problems with the Forest Service over the last several months and one family has been just literally destroyed over regulatory problems with that [unintelligible] the Federal Courts [unintelligible] anything else can do about it.

In one county in New Mexico, from 1994 to 2000, over 200,000

animal unit months of grazing were eliminated by the Forest Service. That is devastating to those families; it's devastating to the rural economy and small businesses in that county. The county government is almost broke, because the timber industry was taken out before the cattle industry was. Over the past few months, the Forest Service has worked hard to try to fix some of this stuff, and we appreciate that and we've been willing partners in doing that, however the recent documentation that we're getting out of the agency on National [Unintelligible] Policy Act issues indicate that we still got a long way to go. The agency is basically using NEPA [phonetic] to remove livestock and to reduce livestock to the point of not being viable economically. We have Forest Service representatives that if they let you keep 10 cows you've still got a business. That's simply not true.

We're working this week with one lady who violated a law two years ago, which had 400 cows on it. They're trying to cut her down to 200 just for the regulatory profit. And because they're letting her keep 200 why is she complaining? Well, she borrowed money to buy that operation. She can't service a debt; feed her family, or anything else. And among the most egregious Forest Service regulations that we deal with is their appeals process. Nowhere else in our country is a single entity the arresting and investigating officer, prosecutor, judge, jury, and executioner, and that's what the Forest Service administrative appeals process is. The line officer makes a decision. You have to appeal it to him. Then you appeal it to his boss, and to his boss, and he is going to come back and say, "Gee whiz, we agree with our employee." And only at that point can you go into federal district court for any relief. Well by that time, whatever their decision is, it's already forced you to remove your livestock and probably sell them.

We had folks at the USDA [phonetic] hearing yesterday and they had to sell 127 head of cattle last spring. For what the price is today in the livestock industry, it's going to take four cows to replace one. The money could be got just six or eight months ago. So these decisions are destroying our economy and our folks. If you can help us on this administrative appeals process, we'd really greatly appreciate it. The DOM [phonetic] has a separate process where you can go to an administrative judge who is not vested in the decisions, and if the Forest Service operated that way we'd feel like we had a lot more fairness as it goes along.

Another issue that, and it seems like I've been [unintelligible] USDA today and unfortunately that's just the place that I'm in. In 2000, the Animal Plant and Health [unintelligible] APHIS, issued a new tuberculosis rule. Under that rule, 14 months ago, New Mexico lost its tuberculosis status as a result of three cows and two herds within eight miles of each other being diagnosed of tuberculosis. As a result of that, every producer in New Mexico that shifts cattle breeding-age cattle out of the state has the TB test. Well, you know, the TB test is

no big deal, but it is if you're on the ground. A veterinarian has to come out and do an injection. It means that animals have to run through the chute. He's got to come back three days later and read that test. So you've got to have penning facilities, you've got to be able to hold those cows for three days to bring them back in, it is a huge and tremendous cost. The new rule has the provision for regional invasion where we can single out that small area where those three cows were, and put a circle around them, do the intense testing in that area, and out the rest of the state back on the ability to move cattle in and out. We have worked hard, our livestock board, our state vet and USDA staff have worked hard to put together a regionalization plan, but they've had that plan in their hands since April, and we don't have it on the implementation side. So I don't want to beat up the individuals involved, but there is a problem with the process if it takes us this long to get it done.

Finally, and I visited with some new folks about this yesterday, the country wards [phonetic] and labeling [phonetic] issue is one we have become very vested in. Americans, you know where your cars come from, and your clothes come from, and if you look on the labels you know where your dog biscuits come from. You don't generally know where the feed comes from. And as a result of the marketing structure of our folks supply, folks in the beef industry became so frustrated two or three years ago that we decided to ask the government for help. Not a good idea. We got a law passed didn't say exactly what it used to say, and the USDA came out with a set of regulations that are totally unlivable, and the SBA and [Unintelligible] helped to hold up those regulations and we appreciate that, we still want to look at the issues, but we can't live under those regulations and we appreciate what you've done and we want to continue to work with you on that.

Finally, the last issue that's facing us as a result of the diagnosis of a cow from Canada with BSE is national animal ID. Over the last 12 months we've had several things out of the USDA saying we're going to do this that or the other with animal ID. What is being envisioned is a radio frequency ear tag that has to be put in the animal and then read. The readers are very extensive, the labor again, we're back to chutes, running animals through chutes at great deals of cost. Now USCA says that the animal ID program is going to be voluntary. Well after the Endangered Species Act and what the Forest Service has done to us, voluntary is not a word that makes us feel very comfortable so we would appreciate it if you could watch that issue and we could work with you to make sure that we end up with regulations that would keep our producers in business.

In the package that I gave you there is some background information about some of these different issues. I appreciate your time, if we can provide more information or answer questions, please give us a call. Thank you again for being here.

MALE VOICE: [Unintelligible] helpful to us, and we had a situation with a pharmacist, not your issue but they had affected pharmacists all over the country, and what they did last year [unintelligible] about three or four months ago, and they told us if the individual members all filed comments that would have a big impact. Because right now they are seeing one comment, but if they have 500 or 600 people filing, that has a bigger impact. So the pharmacists did that, and we got [unintelligible] rule changed for that. [Unintelligible] very helpful in that, so [unintelligible] very, very helpful and we can have each agency look at these particular comments you have.

MS. COWAN: And I appreciate that. Actually, in my last newsletter I was just trying to [unintelligible] for that very reason because we [unintelligible] they think it doesn't count, so I'm going to quote you in my next newsletter because every comment does count and we know that. Thank you so much.

MALE VOICE: There's just one thing, I do want to encourage you to take advantage of this board. Many of us have some expertise in the industry. Hero [phonetic] from Arkansas certainly does and can help you with some of those forester issues, and can bring some of these into the [unintelligible] office and address some of them for you so take advantage of that and how you get the contact to us, [unintelligible] told you about SBA.gov, but if you add a slash to that ombudsman, SBA.gov/ombudsman, we're all listed there, you can find all of us, you can find [unintelligible] and we'd be more than happy to respond to you [unintelligible] some of those issues.

[Crosstalk]

[Laughter]

MS. COWAN: Thank you very much,

MALE VOICE: Okay, we have some federal agencies here and I really want to recognize some of them and make them tell you about some of the things you're doing to help small businesses and then pretty much conclude the hearing. And a couple of them, if they maybe addressed some of the comments then that'd be great. I always start with my good buddy in the back there, Tom Hicks. And Tom is with the Department of Labor, and back when I told about that [unintelligible] in Illinois, Tom was very helpful in getting that resolved, and as part of the relationships we're having with some of these federal agencies. Anything to do with labor is sent to Tom's office, and he personally looks over them, but I'll let Tom kind of tell you what he does.

MR. HICKS: Thank you, Michael. Good morning, [unintelligible]. My name is Thomas Hicks and I work for the US Department of Labor in the office of small business program. My office is in charge of [unintelligible] small businesses around the

country [unintelligible] enforcement.

Some of the representatives that are here today I want to give them an opportunity and chance to talk to you about some of the [unintelligible] Department of Labor issues. I like the way Tom explained about what my job and my responsibilities in Washington. You have [unintelligible] and concerns [unintelligible] agencies, [background noise] enforcement agencies get a response back from you, [unintelligible], we have some representatives from Wage and Hour, [unintelligible] OSHA, [unintelligible].

RANDY: I'm Randy O'Neill [phonetic], I'm with the Wage and Hour Division regional office in Dallas. Patricia Davidson, our district director here in Albuquerque is here as well. The biggest thing going on in Wage and Hour is probably the August 23 [unintelligible] white-collar exemption regulations, and some change things particularly drastically the salary levels from \$155 a week for a person to be considered exempt from overtime pay to \$455 a week. There is a website [unintelligible] called fairpay. At the DOL there is a link, at the DOL.gov website, and you can access the preamble and rates themselves and even [unintelligible] venues [unintelligible] specialist subject. It's good to be here. I'm planning to be around a few minutes after the meeting's over. Wage and Hour is very interested in small business [background noise]. I appreciate the opportunity to be here.

MALE VOICE: Okay. Anybody else want to introduce a comment?

MR. REINA: My name is Joe Reina and I'm the regional administrator for OSHA here in [unintelligible] and OSHA basically got a line that says that the employer talk about [unintelligible] workplace, and I think one of the things we're doing now in terms of outreach we have a person in each office who is called the response system [phonetic] specialist whose sole job is to assist the employer with any needs requiring safety and health. Another thing that we're trying to do right now, we're trying to do what we call small business seminars where we bring federal agencies, our job [phonetic], Wage and Hour, OSBP [phonetic], EOC, those that deal with labor issues, we're going to hold a half-day or a day's seminar where the small employers get as much information regarding all the [unintelligible] Department of Labor in a four or five hour period. So if anybody is in services, a labor issue will be [unintelligible] the seminar. We've had it in Dallas, Houston, we're going to have it in San Antonio and we're going to be moving it around the regions [unintelligible] as far as is possible. Once again, this is a new time for OSHA. There is a lot of outreach that we're doing. 1-800 number. If you have a need and you want to know how we feel free to call us, we're there to help.

MALE VOICE: [Unintelligible] They're very helpful [unintelligible] they're here to help you. Thank you.

MALE VOICE: Thank you so much. Do we have IRS?

MALE VOICE: [Unintelligible] and I am [unintelligible] responsible [unintelligible] small business in [unintelligible] Arizona. I just wanted to take a quick second to tell you about a couple of things that we do, the IRS does in relation to small business [unintelligible]. First and foremost, here in Albuquerque, every Tuesday at the State office, we provide [unintelligible] workshop for people who are thinking about starting their own business or are starting their own business and are looking to expand. Every Tuesday at the [unintelligible]. We also have a variety of guides [phonetic], too many to bring along today, but they are all designed to help the small businessman, and I just want to point out a few of them, and I have some in the back you can take a copy of.

We have what we call our small business resource guide that's a [unintelligible] put together with small business long-distance education [phonetic]. At last count there were 71,000 sheets [phonetic] of information available to small business with everything they need to know; taxes, support from the SBA, working with [unintelligible], OSHA, all kinds of information related to small businesses. Now I would encourage everybody to grab one and take a look at it. We also have what we call [unintelligible] small business workshop. We realize that a small business underneath [unintelligible] in order to make things work and run. So we developed some CD-ROMS that you're able to take home do them at your leisure. This one is called the Small Business Workshop, [unintelligible] various facts and issues. The good thing about this one is that it's in three languages. It's in English, Spanish, and in Mandarin Chinese. So I would encourage you to grab this too. We also have a calendar, and what it is a calendar of key dates and small businesses really be aware of [unintelligible]. This one goes [unintelligible] or other important dates in your type of business [phonetic]. So again I have some in the back. You can grab some.

Our website IRS.gov has a tremendous amount of information related to small business. We have a very good site for the Spanish-speaking population. We're doing a lot in that area [unintelligible] Spanish-speaking population here in New Mexico that's a good proportion. Again, I would encourage everybody to go to our website and [unintelligible] at least once to check it out. [unintelligible] available up there for the small business community. Take advantage of the workshop that we provide, we're obviously, I'm a believer that a good tax payer is an educated tax payer [unintelligible] able communicate with their professionals whether it be [unintelligible] attorneys or whatever. Ask important questions [unintelligible] business, so again we're doing a lot to [unintelligible] website, pick up some of our products, and all our products are [unintelligible].

MALE VOICE: Thank you. Anybody from the SDC [phonetic] here?

[Crosstalk]

FEMALE VOICE: [Unintelligible] here tonight.
[Unintelligible] our number is listed in the brochure that I bought
[phonetic] as well as our tax levels, and use the [unintelligible]
economic partnership [unintelligible]. You can see what we're all
about and how we might be able to work with you in getting issues
resolved. And even if you don't have any issue now, something may
come up down the road [unintelligible]. So we really are here to help
tax payers who are having problems.

MALE VOICE: Thank you, are the SDC [phonetic] here?

MALE VOICE: [Unintelligible] The SDC regulates
[unintelligible]

[END TAPE 5 SIDE A]